

**PUBLIC ACCOUNTS
OF THE
GOVERNMENT OF NUNAVUT
FOR THE YEAR ENDED MARCH 31, 2001**

HONOURABLE KELVIN NG

Minister of Finance

**THE HONOURABLE PETER IRNIQ
COMMISSIONER OF NUNAVUT**

I have the honour to present the Public Accounts of Nunavut for the fiscal year ended March 31, 2001. I would ask that these accounts be laid before the Legislative Assembly in accordance with the *Financial Administration Act*, R.S.N.W.T. 1988, c.F-4, S. 74 as amended, and duplicated for Nunavut, and the *Nunavut Act*, S.C. 1993, C.28, s.44.

Original Signed By:
Honourable Kelvin Ng
Minister of Finance

Government of Nunavut
Iqaluit, Nunavut
April 26, 2002

**Public Accounts of the
Government of Nunavut**

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STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation of these consolidated financial statements for the Government of Nunavut, and related information contained in the Public Accounts, is the responsibility of management of the Department of Finance.

The consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 to the consolidated financial statements and comply with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants wherever applicable. When alternative accounting methods exist, management has chosen those it believes are most appropriate. Where required, management's best estimates and judgments have been applied in the preparation of these statements.

The Government fulfills its accounting and reporting responsibilities, through the Department of Finance, by maintaining systems of financial management and control. These systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure that all transactions are in accordance with the *Financial Administration Act*.

The Public Accounts are referred to the Standing Committee on Government Operations and Services after they have been tabled in the Legislative Assembly. The recommendations of this committee will be reviewed and acted on, where appropriate, to improve financial management and control as well as reporting practices, and the systems of internal controls.

The Auditor General of Canada conducts an annual audit of the consolidated financial statements in order to express an opinion as to whether the statements present fairly the financial position, results of operations, cash flows and tangible capital assets for the year. During the course of the audit, she also examines transactions that have come to her notice, to ensure that they are, in all significant respects, within the statutory powers of the Government and those organizations included in the consolidation. The Auditor General's opinion is included with the consolidated financial statements.

After completion of the audit, the Auditor General provides additional information, comments, and recommendations in her annual report to the Legislative Assembly of Nunavut.

The fundamental purpose of the financial statements is to provide information to the Legislative Assembly and the public as to the full nature and extent of the Government's financial affairs. The four main financial statements each reflect an important indicator of the Government's financial health. The statement of financial position shows what the government owns (its assets) and what the government owes (its liabilities) at the end of the fiscal year. On the other hand, the statement of operations shows whether revenues received during the year were sufficient to cover expenses incurred. The statement of cash flows explains why cash balances increased or decreased during the year. Lastly, the statement of tangible capital assets provides information on the inventory of tangible capital assets under the control of the Government.

Original Signed By:
Honourable Kelvin Ng
Minister of Finance

Original Signed By:
Robert Vardy
Deputy Minister of Finance
and Comptroller General

AUDITOR'S REPORT

To the Legislative Assembly of Nunavut

I have audited the consolidated statement of financial position of the Government of Nunavut as at March 31, 2001 and the consolidated statements of operations and net debt, cash flows and tangible capital assets for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position and capital assets of the Government as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments recommended by The Canadian Institute of Chartered Accountants' Public Sector Accounting Board.

Under the Nunavut *Financial Administration Act* (FAA), government departments are not allowed to spend more money than approved by the Legislative Assembly of Nunavut. Note 18 of these consolidated financial statements discloses that 5 Departments did not respect this Act. Total over-expenditures were \$32,255,000.

Further, in my opinion, except for the over-expenditures detailed in Note 18, the transactions of the Government and of those organizations listed in Note 1 to the consolidated financial statements that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the Government's powers under the *Nunavut Act*, the *Nunavut Financial Administration Act* and regulations and the specific operating authorities disclosed in Note 1.

Additional information and comments on the consolidated financial statements and this opinion will be included in my annual report to the Legislative Assembly of Nunavut.

Original Signed By:

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
April 26, 2002

GOVERNMENT OF NUNAVUT

Consolidated Statement of Financial Position

as at March 31, 2001

(thousands of dollars)

	2001	2000
Liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 92,865	\$ 86,277
Due to Government of the Northwest Territories	15,430	49,013
Employee future benefits (Note 10)	24,433	13,322
Long term debt (Note 12)	55,733	56,843
Capital lease obligations (Note 15)	135,695	40,963
Total Liabilities	324,156	246,418
Financial Assets		
Cash and temporary investments (Note 3)	62,572	119,474
Due from Canada (Note 4)	100,372	31,285
Due from Government of the Northwest Territories	18,364	9,621
Revenues receivable (Note 5)	41,633	27,757
Inventories for resale (Note 6)	28,798	25,451
Loans receivable (Note 7)	21,413	21,686
Investment in Northwest Territories Power Corporation (Note 8)	37,599	36,812
Total Financial Assets	310,751	272,086
Net Assets (Debt)	\$ (13,405)	\$ 25,668

Contingencies (Note 17)

Over expenditures (Note 18)

Approved:

Original Signed By:

Honourable Kelvin Ng
Minister of Finance

Original Signed By:

Robert Vardy
Deputy Minister of Finance
and Comptroller General

The accompanying notes and schedules are an integral part of the consolidated financial statements

GOVERNMENT OF NUNAVUT

Consolidated Statement of Operations and Net Debt for the year ended March 31, 2001 (thousands of dollars)

	2001	2000
Revenues		
From Canada (Schedule A)	\$ 687,158	\$ 626,658
Revenues generated by Nunavut (Schedule A)	100,500	94,611
Total revenues	787,658	721,269
Expenses (Note 13)		
Education	163,548	149,581
Health and Social Services	141,782	142,975
Finance	118,108	113,301
Public Works, Telecommunications and Technical Services	93,025	72,091
Community Government and Transportation	67,414	66,525
Justice	37,342	32,015
Sustainable Development	30,643	26,701
Other	57,509	40,020
Total expenses	709,371	643,209
Excess of revenues over expenses	78,287	78,060
Projects for Canada and others		
Revenues	21,131	27,483
Expenses	(21,131)	(27,483)
Net investment in tangible capital assets	(117,360)	(49,227)
Surplus (deficit) for the year	(39,073)	28,833
Net assets (debt), beginning of year	25,668	(3,165)
Net assets (debt), end of year	\$ (13,405)	\$ 25,668

The accompanying notes and schedules are an integral part of the consolidated financial statements

GOVERNMENT OF NUNAVUT

Consolidated Statement of Cash Flows

for the year ended March 31, 2001

(thousands of dollars)

	2001	2000
Cash provided by (used for)		
government operations:		
Grants from Canada	\$ 658,166	\$ 627,462
Taxes	34,714	26,151
Other government revenues	23,511	66,219
Grants and contributions	(114,866)	(123,476)
Salaries and employee benefits	(204,534)	(181,300)
Goods and services acquired	(352,537)	(281,271)
Cash provided by government operations	44,454	133,785
Cash provided by (used for) investing activities:		
Sale of tangible capital assets	1,845	1,772
Acquisitions of tangible capital assets	(49,205)	(37,209)
Loans to municipalities, businesses, and individuals	(2,932)	(4,842)
Loan repayments to the government	3,737	4,905
Cash used for investing activities	(46,555)	(35,374)
Cash used for financing activities:		
Payment of principal and interest under capital leases	(14,153)	(3,378)
Payment of principal and interest on long term debt	(5,335)	(4,974)
Payment of funds owed to GNWT on division of assets	(35,313)	-
Cash used for financing activities	(54,801)	(8,352)
Increase (decrease) in cash and temporary investments	(56,902)	90,059
Cash and temporary investments, beginning of year	119,474	29,415
Cash and temporary investments, end of year	\$ 62,572	\$ 119,474

The accompanying notes and schedules are an integral part of the consolidated financial statements

GOVERNMENT OF NUNAVUT

Consolidated Statement of Tangible Capital Assets

as at March 31, 2001

(thousands of dollars)

	Buildings	Capital Lease Buildings	Storage	Tank Farms	Equipment	Infrastructure	Land	2001	2000
Cost of Tangible Assets									
Opening balance	\$ 540,563	\$ 42,069	\$ 39,012	\$ 86,645	\$ 9,860	\$ 81,541	\$ 351	\$ 800,041	\$ 725,686
Additions	38,634	98,627	-	6,852	2,045	5,118	187	151,463	80,777
Disposals	(3,755)	-	-	-	-	-	(278)	(4,033)	(6,422)
Closing balance	575,442	140,696	39,012	93,497	11,905	86,659	260	947,471	800,041
Accumulated Amortization									
Opening Balance	(78,143)	(1,488)	(3,496)	(2,888)	(3,973)	(2,718)	-	(92,706)	(67,578)
Amortization for the year	(16,428)	(4,680)	(1,218)	(3,113)	(1,842)	(2,889)	-	(30,170)	(25,490)
Disposals	100	-	-	-	-	-	-	100	362
Closing balance	(94,471)	(6,168)	(4,714)	(6,001)	(5,815)	(5,607)	-	(122,776)	(92,706)
Net Book Value	\$ 480,971	\$ 134,528	\$ 34,298	\$ 87,496	\$ 6,090	\$ 81,052	\$ 260	\$ 824,695	\$ 707,335
Useful Life	30 Years	30 Years	30 Years	30 Years	5 Years	30 Years			

Increase in net investment in Tangible Capital Assets is comprised of:

Additions	\$ 151,463	\$ 80,777
Disposals	-4,033	-6,422
Amortization	-30,170	-25,490
Accumulated amortization of disposals	100	362
	<u>\$ 117,360</u>	<u>\$ 49,227</u>

The accompanying notes and schedules are an integral part of the consolidated financial statements

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

1 AUTHORITY AND OPERATIONS

a) Authority and government reporting entity

The Government of Nunavut (the Government) operates under the authority of the *Nunavut Act (Canada)*. The Government has an elected Legislative Assembly which authorizes all disbursements except those specifically authorized by statute.

These consolidated financial statements are prepared in accordance with the *Nunavut Act (Canada)* and the *Nunavut Financial Administration Act*. The following organizations comprise the reporting entity represented by these consolidated financial statements. These organizations are accountable to, and are either owned or controlled by the Government.

All have a March 31 fiscal year end, except for Nunavut Arctic College which has a June 30 year end.

Entities fully consolidated in these financial statements

Government of Nunavut, including those Departments set out in the Government's Main Estimates.
Revolving funds including the Petroleum Products Revolving Fund, and the Liquor Commission Revolving Fund.
Nunavut Housing Corporation.
Nunavut Arctic College.
Nunavut Development Corporation.
Nunavut Business Credit Corporation.

Authority for operations

Financial Administration Act

Revolving Fund's Act
Nunavut Housing Corporation Act
Public Colleges Act
*NWT Development Corporation Act**
*NWT Business Credit Corporation Act**

Entities presented in these financial statements using modified equity accounting

Northwest Territories Power Corporation.

Authority for operations

Northwest Territories Power Corporation Act

* as duplicated for Nunavut by Section 29 of the *Nunavut Act (Canada)*

- b) A comparison of budgeted and actual operations is provided in the Government's unaudited, unconsolidated financial statements which are included in the Government's Public Accounts.

2 SIGNIFICANT ACCOUNTING POLICIES

Section 45 of the *Nunavut Act (Canada)* requires that the Government's consolidated financial statements be prepared in the form directed by the Commissioner of Nunavut, and be in accordance with accounting principles recommended by the Canadian Institute of Chartered Accountants.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accordingly, the Government has adopted the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as the primary basis of its accounting policies. Other authoritative pronouncements are used to supplement the recommendations of the Public Sector Accounting Board, where appropriate.

a) Principles of consolidation

All entities included in the reporting entity other than the Northwest Territories Power Corporation (NTPC) are fully consolidated, and significant transactions and balances between consolidated entities are eliminated.

The NTPC is a Government business enterprise, and is accounted for using modified equity accounting. Under this method, the Government only reports its investment in the NTPC, and its share of the corporation's net revenues. Financial transactions and balances between the Corporation and other entities in the reporting entity are not eliminated.

b) Measurement uncertainty

Canadian generally accepted accounting principles for governments recommended by the Canadian Institute of Chartered Accountants require the Government to make estimates and assumptions that affect the amounts of certain assets, liabilities, revenues, and expenses reported in these financial statements. Some of the more significant areas where estimates have been used to prepare these financial statements include:

(i) Grant revenue under the Formula Financing Agreement with Canada. The amount recognized as revenue is based in part on estimates from the federal Department of Finance and Statistics Canada. These estimates may change and impact revenue for up to seven years in the future;

(ii) Income taxes collected by Canada on the Government's behalf, and Grant revenue from Canada in areas such as the Canada Health and Social Transfer. These collections and grants are subject to revision by Canada in future years; and

(iii) Allowance for bad debts and employee termination benefits.

By their nature, estimates are subject to measurement uncertainty. Estimates contained in these financial statements are the Government's best estimates at the date these statements were prepared. However, changes to these estimates might have a significant effect on future financial statements.

c) Cash and temporary investments

Temporary investments are valued at the lower of cost and market value. Interest income is recorded on an accrual basis.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories for resale

Inventories for resale include bulk fuel, liquor, arts and crafts, and are valued at the lower of cost and market.

e) Loans receivable

Loans receivable are valued at the lower of cost and net recoverable value. Valuation allowances recorded to reduce loans receivable are based on all circumstances known at the date these financial statements are prepared, including past events and current conditions. Interest revenue is not accrued when the collectability of either principal or interest is not reasonably assured.

f) Investment in Northwest Territories Power Corporation

The Government's investment in its sole "government business enterprise", the Northwest Territories Power Corporation, was initially recorded at an estimate of the Government's share of the net assets which will be transferred to the future Nunavut Power Corporation when it begins operations on April 1, 2001. Adjustments to the amount of net assets, if any, will be recorded when known.

The Government's share of the subsequent operations of the Corporation are accounted for in accordance with the modified equity basis of accounting described in Note 2 a).

g) Employee future benefits

The estimated liability and related expenses for annual leave, retirement, severance and removal costs are recorded as employees earn these benefits.

h) Obligations under capital leases

The Government classifies its leases for buildings and equipment as either capital or operating leases, as appropriate.

Capital leases

Those leases which transfer substantially all the benefits and risks of ownership of property to the Government are accounted for as both a tangible capital asset and a related capital lease obligation. Both are initially recorded at the present value of the minimum lease payments, effective at the beginning of the lease.

Operating leases

Operating leases are those leases where substantially all the benefits and risks of ownership are not transferred to the Government. Lease payments under operating leases are expensed.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Revenues

Unless otherwise stated, all revenues are reported on an accrual basis in the period in which transactions or events gave rise to the revenues. Specific revenue accounting policies, and departures from the accrual basis are as follows:

Grant from Canada

The final amount of the annual grant from Canada pursuant to the Formula Financing Agreement is not known for many years, and is affected by many factors such as population growth, the growth of provincial-local government spending, tax revenues, and federal transfers.

Revenue recorded in the current year represents the Government's best estimate of the 2000/2001 grant from Canada. Future adjustments to the amount of the current year's grant are recorded as adjustments to grant revenue in the year that the need for adjustment is identified.

Other transfers from Canada

Other transfers from Canada are recognized as revenue in the period that the events giving rise to the transfer occurred, as long as: (i) the transfer is authorized; (ii) the Government has met eligibility criteria, if any; and (iii) a reasonable estimate of the transfer can be made.

Government transfers received before these criteria are met are deferred and included in accrued liabilities until the criteria are met.

Taxes and general revenues

Income taxes are collected on the Government's behalf by Canada, and are recognized as revenue on a cash basis.

Property taxes and school levies are assessed on a calendar year basis, and are recorded on an accrual basis in the fiscal year in which the calendar year ends.

Other taxes are accrued based on information provided by those parties which collect tax on the Government's behalf.

Licenses, fees, and permits are recorded on a cash basis.

j) Expenses

Expenses are recorded on an accrual basis.

Grants and contributions are recorded as expenses when the following criteria are all met: (i) the grant or contribution has necessary authorization; (ii) the recipient has met eligibility criteria, if any; and (iii) a reasonable estimate of the transfer can be made.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Expenses (continued)

Grants or contributions paid prior to all three conditions being met are accounted for as advance payments until all conditions are met.

k) Tangible capital assets

Tangible capital assets are excluded from the Consolidated Statement of Financial Position. Tangible capital assets are presented in the Consolidated Statement of Tangible Capital Assets.

Tangible capital assets are recorded at cost, less accumulated amortization. The annual amortization of tangible capital assets is recorded as an expense in the Consolidated Statement of Operations and Net Debt.

3 CASH AND TEMPORARY INVESTMENTS

Temporary investments are placed in high grade, short-term income producing assets.

The portfolio yield for the year ended March 31, 2001 varied from 4.25% to 5.58% (2000 - 3.75% to 5.18%). As at March 31, 2001 the Government held investments in the amount of \$15,735,000 (2000 - \$15,393,000). The average term to maturity is 34 days (2000 - 28 days).

4 DUE FROM CANADA

	2001 (thousands of dollars)	2000
Grant receivable		
Formula Financing Agreement grant (Schedule A)	\$ 596,154	\$ 536,910
Less: payments received	(538,448)	(538,410)
	<u>57,706</u>	<u>(1,500)</u>
Balance receivable (payable) at beginning of the year	<u>(1,500)</u>	<u>-</u>
	56,206	(1,500)
Other receivables	<u>44,166</u>	<u>32,785</u>
	<u>\$ 100,372</u>	<u>\$ 31,285</u>

The amounts due from Canada are non-interest bearing. The carrying amounts approximate fair market value because of the short term to maturity.

GOVERNMENT OF NUNAVUT

**Notes to Consolidated Financial Statements
for the year ended March 31, 2001**

5 REVENUES RECEIVABLE

	2001 (thousands of dollars)	2000
Local Housing Associations and Authorities	\$ 762	\$ 940
Other accounts receivable	50,535	30,456
Less: allowance for doubtful accounts	<u>(9,664)</u>	<u>(3,639)</u>
	<u>\$ 41,633</u>	<u>\$ 27,757</u>

6 INVENTORIES FOR RESALE

	2001 (thousands of dollars)	2000
Bulk fuels	\$ 26,407	\$ 23,760
Other	2,391	1,691
	<u>\$ 28,798</u>	<u>\$ 25,451</u>

7 LOANS RECEIVABLE

	2001 (thousands of dollars)	2000
Mortgage loans from Nunavut Housing Corporation to individuals with a maximum maturity of 25 years bearing interest between 6.00% and 14.25%, net of allowances for doubtful accounts of \$5,789,000 (2000 - \$4,463,000)	\$ 7,925	\$ 9,109
Loans from Nunavut Business Credit Corporation to businesses with a maximum maturity of 25 years, bearing interest between 6.75% and 11.50%, net of allowances for doubtful accounts of \$1,032,147 (2000 - \$838,804)	6,950	7,538
Loans to municipalities due in instalments to 2017 bearing interest between 0.00% and 9.50%, net of valuation allowances of \$435,760 (2000 - \$435,760)	5,120	3,729
Student Loan Fund loans due in instalments to 2011, bearing interest between 3.75% and 12.50%, net of allowances for doubtful accounts and allowances for forgiveness of \$1,420,498 (2000 - \$1,328,866)	1,111	1,039
Other	<u>307</u>	<u>271</u>
	<u>\$ 21,413</u>	<u>\$ 21,686</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

8 INVESTMENT IN NORTHWEST TERRITORIES POWER CORPORATION

The Governments of the Northwest Territories and Nunavut have agreed to divide the net assets of the Northwest Territories Power Corporation (NTPC) on April 1, 2001 as if the corporation had been divided on April 1, 1999. An inter-governmental committee including representatives of the NTPC will finalize the division, and until then shares of the Corporation are held in trust for the benefits of both governments.

The following is summarized financial information for the NTPC and the Government's estimated share of the Corporation as at March 31, 2001.

Investment

	NTPC 2001	Government's Share	
		2001 (thousands of dollars)	2000
Assets	\$ 366,594	\$ 122,295	\$ 115,094
Liabilities	(253,884)	(84,696)	(78,282)
Investment in Northwest Territories Power Corporation	<u>\$ 112,710</u>	<u>\$ 37,599</u>	<u>\$ 36,812</u>

Statement of Operations and Surplus For the year ended March 31, 2001

	NTPC Results of Operations	2001 Government's Share of Operations (thousands of dollars)	2000 Government's Share of Operations
Revenues	\$ 103,676	\$ 37,199	\$ 31,442
Expenses	(94,587)	(33,938)	(28,200)
Net revenue	<u>9,089</u>	<u>3,261</u>	<u>3,242</u>
Surplus, beginning of year	67,426	22,398	21,051
Change in Accounting Policy	(566)	(189)	-
Dividend	(6,368)	(2,300)	(1,895)
Surplus, end of year	<u>\$ 69,581</u>	<u>\$ 23,170</u>	<u>\$ 22,398</u>

Included in the above are revenues from and expenditures to entities in the Government's reporting entity of \$14,488,000 (2000 - \$7,939,000) and \$8,508,000 (2000 - \$1,842,000) respectively.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2001	2000
	(thousands of dollars)	
Payable to related parties		
Northwest Territories Power Corporation	\$ 1,876	\$ 952
Local Housing Associations and Authorities	3,029	2,591
	<u>4,905</u>	<u>3,543</u>
Other		
Accounts Payable	54,294	49,678
Other Liabilities, Payroll Deductions, and Contractor's Holdbacks	23,580	27,207
Deferred revenue	10,086	5,849
	<u>87,960</u>	<u>82,734</u>
	<u>\$ 92,865</u>	<u>\$ 86,277</u>

10 EMPLOYEE FUTURE BENEFITS

	2001	2000
	(thousands of dollars)	
Vacation pay	\$ 10,378	\$ 3,595
Removal	7,439	3,206
Retirement and Termination	6,616	6,521
	<u>\$ 24,433</u>	<u>\$ 13,322</u>

11 EMPLOYEE PENSIONS

a) Public Service Superannuation Plan

Both the Government and its employees make contributions to the Public Service Superannuation Plan administered by Canada. In 2001, the Government's contributions were \$11,571,544 (2000 - \$6,422,000).

The amount of the Government's contributions are set by Canada, and represent the Government's sole obligation under this Plan. The Government is not required under present legislation to make contributions with respect to actuarial deficiencies of the Plan.

b) Legislative Assembly Retiring Allowance Plan

The Legislative Assembly Retiring Allowance Plan is a contributory defined benefit pension plan. At March 31, 2001 this Plan has a deficit of actuarial value of net assets available for benefits over actuarial present value of accrued pension benefits in the amount of \$106,447 (2000 - \$nil). In 2001 the Government's contributions were \$250,000 (2000 - \$241,000).

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

12 LONG TERM DEBT

Long term debt is comprised of Nunavut Housing Corporation loans payable to Canada Mortgage and Housing Corporation, repayable in annual instalments to the year 2033, bearing interest at a rate of 6.97%. Principal and interest amounts due in each of the next five fiscal years and thereafter are as follows:

	Principal	Interest (thousands of dollars)	Total
2002	\$ 1,189	\$ 3,953	\$ 5,142
2003	1,274	3,868	5,142
2004	1,364	3,778	5,142
2005	1,461	3,681	5,142
2006	1,564	3,578	5,142
2007 and beyond	48,881	40,814	89,695
	<u>\$ 55,733</u>	<u>\$ 59,672</u>	<u>\$ 115,405</u>

13 EXPENSES BY TYPE (OBJECT)

	2001 (thousands of dollars)	2000
Grants and contributions	\$ 107,118	\$ 117,668
Salaries and employee benefits	213,524	181,506
Payments for goods and services	388,729	344,035
	<u>\$ 709,371</u>	<u>\$ 643,209</u>

14 RELATED PARTY TRANSACTIONS

Contributions to related parties

Transactions with related parties and balances at year end not disclosed elsewhere in the financial statements, are disclosed in this note. During the year, the Government made contributions and grants to the following related parties which are outside of the reporting entity described in Note 1 a):

	2001 (thousands of dollars)	2000
Local Housing Associations and Authorities	\$ 54,868	\$ 56,575

The Government provides funding to many communities, boards, and agencies that offer services to the public, and which operate independently of normal Government operations.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

15 CAPITAL LEASE OBLIGATIONS

The Government of Nunavut leases certain office facilities and housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs. Capital lease obligations are based upon contractual minimum lease payments for the lease in effect as of March 31, 2001.

	2001 (thousands of dollars)	2000
Total minimum lease payments	\$ 258,119	\$ 75,956
Less: imputed interest and executory costs	<u>122,424</u>	<u>34,993</u>
Present value of minimum lease payments	<u>135,695</u>	<u>40,963</u>
Future minimum lease payments consist of:		
2002	\$ 14,990	
2003	15,032	
2004	15,076	
2005	15,120	
2006	15,165	
After 2006	<u>182,736</u>	
	<u>\$ 258,119</u>	

16 COMMITMENTS

The Government has entered into agreements for, or is contractually committed to, the following payments subsequent to March 31, 2001:

	Expiry Date	Total (thousands of dollars)
Canada Mortgage and Housing Corporation	2038	\$ 434,424
Commitments under operating leases	2021	334,225
Block funding agreements with municipalities	2004	2,531
Capital commitments	2002	42,207
Policing agreement	2002	13,891
Other commitments	2002	14,677
		<u>\$ 841,955</u>

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

16 COMMITMENTS (Continued)

Commitments by fiscal year are as follows:

2002	\$	127,572
2003		54,047
2004		50,660
2005		46,403
2006		45,284
2007 and beyond		517,989
	\$	<u>841,955</u>

In accordance with a Declaration of Trust Agreement, the Canada Mortgage and Housing Corporation (CMHC) transferred its ownership interest in territorial rental and loan portfolios to the Northwest Territories Housing Corporation as Trustee. The Northwest Territories Housing Corporation in turn transferred this interest to the Nunavut Housing Corporation (the Corporation). The Corporation assumed full responsibility and liability for the social housing programs related to the portfolio and receives annual funding from CMHC to manage these programs. The agreement and funding expire in 2038.

A portion of this funding is used to make payments on portfolio-related CMHC mortgages of \$153,727,000 maturing between 2003 and 2038, plus interest of \$280,697,000 at interest rates ranging from 4.5% to 21.5%. As the related mortgages mature, the Corporation obtains clear title to CMHC's share of the book value of the respective assets. Until clear title is obtained, CMHC is entitled to its respective share of any gains on the disposal of any portfolio assets.

The portfolio assets and mortgages, held in trust, are recorded only as a commitment in these financial statements. Additionally, since CMHC retains the annual mortgage-related funding to make the mortgage payments, neither the funding nor the mortgage payments are recorded by the Government.

17 CONTINGENCIES

a) Post-division adjustments

The agreement governing the division of assets and liabilities between the Government of Nunavut and the Government of the Northwest Territories as at April 1, 1999 sets out a mechanism which provides for post-division adjustments.

The period for such adjustments is unlimited, and such adjustments would be made in a variety of specified circumstances such as the settlement of litigation related to events prior to the date of division. In such an event, there is an opportunity for one of the governments to file a claim against the other government to share in costs. To date, the Government of Nunavut has not yet received any significant claims from, or filed any significant claims against, the Government of the Northwest Territories.

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

17 CONTINGENCIES (Continued)

b) Environmental restoration costs (Continued)

As circumstances and funding have permitted, the Government has been addressing the problem of environmental liabilities. This process has consisted, in a number of departments, of identifying sites of potential liability, if necessary, for each site and, on an ongoing basis, remediating the site. Costs of remediating the sites are charged to operations as incurred.

Sites in, or in close proximity to, communities have been identified where environmental liabilities may exist. Assessments are being done on an ongoing basis and remediation plans are in place for those sites where environmental hazards have been identified. In addition, fuel caches outside communities have been identified and a program of ongoing site inspection, and where necessary drum removal and remediation is in place. There are however, a significant number of existing sites where, due to remoteness or the small number of drums involved (with the potential for only limited local contamination), formal site inspections have yet to be made.

The Government will continue with its program of site inspection, assessment and remediation on an ongoing basis. While estimates of the costs attributable to the Government are not yet available, the Government will continue to work in a practical manner towards the determination and recognition of environmental liabilities.

In those cases where the cost of remediating sites is quantifiable, an estimate of the liability is accrued. As of March 31, 2001, no costs have yet been quantified so no liability has been accrued.

c) Litigation related to alleged actions of former schoolteacher

In January 2001, the Governments of Nunavut and the Northwest Territories were named as defendants in a class action suit filed on behalf of approximately 50 plaintiffs. The suit relates to alleged abuse by a former schoolteacher in a region of Nunavut that was formerly part of the Northwest Territories. To date, plaintiffs have not specified the amount of damages sought. Nunavut and the Northwest Territories plan to jointly defend the action. The costs of defending the action and any damages that may eventually be awarded will be shared by the two Governments 44.34% and 55.66% respectively. The Government of Nunavut is of the opinion that the outcome of this litigation is not determinable at this time.

18 OVER-EXPENDITURES

Expenses of the following Departments have exceeded appropriations for Operations and Maintenance.

	March 31, 2001
	(thousands of dollars)
Department of Health and Social Services	\$ 20,865
Department of Education	10,451
Department of Justice	562
Department of Executive and Intergovernmental Affairs	315
Department of Culture Language Elders and Youth	62

GOVERNMENT OF NUNAVUT

Notes to Consolidated Financial Statements for the year ended March 31, 2001

18 OVER-EXPENDITURES (Continued)

This contravenes Section 32 of the *Financial Administration Act* which states "... no person shall incur an expenditure that causes the amount of the item set out in the Estimates on which the appropriation is based to be exceeded".

19 COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform to the current year's presentation.

GOVERNMENT OF NUNAVUT**SCHEDULE A****Consolidated Schedule of Revenues by Source
for the year ended March 31, 2001***(thousands of dollars)*

	2001	2000
From Canada		
Formula Financing Agreement (Note 4)	\$ 596,154	\$ 536,910
Transfer payments	91,004	89,748
	<u>687,158</u>	<u>626,658</u>
Revenues generated by Nunavut		
Taxes	43,650	33,651
General	38,796	44,475
Sales		
Liquor Commission Revolving Fund (net of cost of goods sold of \$1,426)	2,048	1,787
Petroleum Products Revolving Fund (net of cost of goods sold of \$65,115)	12,934	11,456
Net revenues Northwest Territories Power Corporation (Note 8)	3,072	3,242
	<u>100,500</u>	<u>94,611</u>
Total revenues	<u>\$ 787,658</u>	<u>\$ 721,269</u>